

## TAKE OUR INVESTMENT QUIZ

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1. **Blue chip stocks are:**
  - a. The stock of computer chip companies in the Silicon valley
  - b. The opposite of "red-chip" stocks, which are new emerging companies
  - c. Companies that are part of the Dow Jones industrial average
  - d. A term used to describe very expensive investments
2. **In terms of investing, bonds are:**
  - a. loans that investors make to companies
  - b. investments that provide monthly income to investors
  - c. a business promise with your broker
  - d. the stock of a new company
3. **A mutual fund is:**
  - a. an investment instrument for married couples
  - b. any tax-exempt investment
  - c. a paycheck deduction that goes to your retirement savings
  - d. a pooled group of investment instruments
4. **If a securities industry professional "cold calls" you (i.e., calls someone he or she doesn't know to pitch a product to you), which of the following rules applies to the caller?**
  1. The broker may not call before 8:00 am or after 9:00pm, unless you have specifically given the permission to do so.
  2. The caller must immediately tell you his or her name, the firm's name, address and phone number, and that the purpose of the call is to tell you something.
  3. If you don't want to receive any more sales calls from that broker or firm at any time of the day you may tell the broker to put your name on the "do not call" list that every securities firm is required to keep.
  4. The broker may not complete the sale by drawing or transferring funds from your checking, savings, or other account without your written permission.
    - a. 1, 2 and 4
    - b. 1 and 4 only
    - c. 1 and 3 only
    - d. all of the above
5. **To minimize investment risks, your best strategy is:**
  - a. only invest in well-established companies that pay annual dividends
  - b. invest in bonds or real estate
  - c. keep your money in the bank or invested in a CD (certificate of deposit)
  - d. diversify your portfolio to include stocks, bonds, mutual funds, real estate and cash
6. **Mary receives a call from her broker advising her to buy 500 shares of "Zipco" stock. After listening to her broker tell her the price of the stock, the risks involved and whether it was a suitable investment for her retirement goals, Mary agrees to buy Zipco. A week later she receives her confirmation slip, which states that the Zipco trade was "unsolicited" by the broker. Mary should:**
  - a. Report the discrepancy to her brokerage firm immediately
  - b. Wait to see if her broker will correct the mistake on his own
  - c. Ignore the discrepancy, because it's not that important
  - d. Tell her broker about it the next time he calls to recommend a stock
7. **Securities firms and securities professionals in Delaware are regulated by which of the following:**

- . The U.S. Securities and Exchange Commission
  - a. The Delaware Securities Division
  - b. Self-regulatory organizations such as the NYSE and the NASDR
  - c. All of the above
8. **If you have a dispute with your broker or brokerage firm, the first thing you should do is:**
- . Write to the firm's compliance department
  - a. File a lawsuit against the brokerage firm and your broker
  - b. Call the Delaware Securities Division
  - c. Move your account to another brokerage firm immediately
9. **Robert opened an account at "America's Best Brokers, Inc." in 1990. His opening account form included an arbitration clause. Now, in 2002, Robert has a serious dispute with America's Best Brokers. He has written to his broker's supervisor about the problem and the company's compliance department, but in Robert's opinion, the matter has not been resolved. Robert has contacted an attorney because he wants to sue America's Best Brokers. His lawyer will probably advise him that:**
- . The arbitration clause means that Robert agreed not to complain about brokerage decisions in his account
  - a. The arbitration clause is over ten years old now, so it is no longer effective
  - b. Robert must go to arbitration to resolve his dispute, rather than a court of law
  - c. If his claim is less than \$25,000, he cannot sue America's Best Brokers
10. **The internet is:**
- . A great source of reliable investment information
  - a. A great way to get scammed
  - b. A great opportunity to do your own trading
  - c. All of the above

**Answers:**

1. **C.** "Blue chip" stock is stock from well-established corporations that have past records of strong management, modest dividends and solid earnings. The Dow Jones Industrial Average, the oldest market indicator in the United States, is an index comprised of 30 blue chip stocks.
2. **A.** A bond is basically an "I Owe You" that companies issue to raise money. It is generally a long-term investment where the bond issuer pays the principal back to the bondholder in addition to periodic interest payments on the note. Answer B is not entirely correct because bond interest may not be paid at monthly intervals.
3. **D.** A mutual fund is a managed group of stocks, bonds, and/or cash. The mutual fund managers are investment companies. Managers decide whether additional bonds should be purchased for the fund, whether certain stocks should be sold based upon their past or recent performances, etc. Mutual fund investors purchase shares of the entire portfolio (rather than purchasing an individual stock or bond in the portfolio). The value of the mutual fund is based upon the worth of all the investment instruments in the portfolio.
4. **D.** All of the above rules apply to brokers. If any brokers violate these rules, remind them of your rights!
5. **D.** The experts agree that diversifying your portfolio (maintaining a mixed array of investments) is far better than putting all of your eggs in one or two baskets. That way, if one of your investments performs poorly, your life savings don't go down the tubes.

6. **A.** It is imperative for every investor to check all statements, confirmation slips and correspondence that come from their investment professional. Don't expect your investment professional to do the double-checking for you. By remaining vigilant with your account, you are able to clear up any miscommunications that may exist with your broker. In the case of Mary, if she does not report the "unsolicited" notation on the confirmation slip, she may be agreeing that she contacted her broker and asked him to buy Zipco stock, rather than the other way around. This inaccuracy should be corrected.
7. **D.** The U.S. Securities and Exchange Commission is the enforcement group of the federal securities laws. The Delaware Securities Division is responsible for prosecuting violations of the Delaware Securities Act to protect Delaware investors. While these two agencies overlap in some enforcement areas, many people refer to state regulators as the "local cop of the beat." The New York Stock Exchange (NYSE) and the National Association of Securities Dealers Regulation (NASD; the regulatory arm of the NASDAQ) regulate their own members nationally.
8. **A.** If you have a dispute with your broker or brokerage, try to resolve the issue by contacting the firm's compliance department. If this is unsuccessful, you may choose to call the Delaware Securities Division, or begin exploring any private rights of action you may have by contacting an attorney. Should you decide to move your account to another firm, you should be aware of any tax consequences of selling non-transferable funds when you move to another firm. If your dispute is solely with a broker, you may explore the possibility of changing brokers within the firm, rather than packing up and leaving altogether.
9. **C.** Arbitration agreements generally do not "expire." When a customer signs an arbitration agreement with his or her broker, it means that in the event of a dispute, the customer will take the complaint to an arbitrator such as the NASD (National Association of Securities Dealers) instead of filing a lawsuit in a court of law. Arbitration agreements are popular because it is usually less expensive and faster than suits filed in court. If your dispute is for less than \$25,000, it is considered a "small claim," but the matter must still be resolved by an arbitrator.
10. **D.** The internet can be a useful source of investment information, but it is also a haven for fraud. Not only are some internet schemes entirely bogus, but many dishonest people use chatrooms to taut fraudulent stock information and manipulate stock prices. The world wide web also allows investors to do their own on-line trading. However, if investors don't do their "homework" to read up on the investments they purchase or fail to diversify their portfolio, they may also end up losing money on the web.